



# CURRENCY

## Committee on Financial Services

**Michael G. Oxley, Chairman**

**For Immediate Release:**

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## House Financial Services Approves Two Bills

Under the gavel of Chairman Michael G. Oxley (OH), the House Financial Services Committee today approved H.R. 2510, the Defense Production Act Amendments, and H.R. 2589, the Office of Multifamily Housing Assistance Restructuring Extension Act. Both bills were passed by voice vote.

The Committee passed legislation to reauthorize the Defense Production Act (DPA), H.R. 2510, for three years. The law continues the president's authority to ensure the prompt, adequate and uninterrupted supply of industrial resources to satisfy both national security needs and needs arising from civil emergencies.

Specifically, the law allows the president to allocate necessary materials and to use tools such as loans and guarantees to ensure the supplies are available to meet national security needs.

"This legislation responds to an immediate need," said Chairman Oxley. "We don't want to repeat the mistakes of 1990, when DPA expired in the middle of Operation Desert Storm, and we should ensure that these important authorities continue uninterrupted."

The Defense Production Act was passed in 1950, during the Korean War, to ensure the availability of industrial resources to support national security and defense readiness. Since then, Congress has regularly reauthorized the Act, which is set to expire at the end of the current fiscal year.

During the Persian Gulf War, the Act was invoked to secure the availability of computer equipment, chemical warfare protective clothing, and medical supplies.

"I am pleased we moved this legislation through the Committee and look forward to its swift consideration on the House floor," said Domestic Monetary Policy Subcommittee Chairman Peter T. King (NY). "The Defense Production Act provides the President with important authorities to ensure that the United States will have the equipment and supplies it needs in the event of unexpected national defense crises or civil emergencies."

The Committee also approved a bill extending the Housing and Urban Development (HUD) Office of Multifamily Housing Assistance Restructuring (OMHAR) for three years.

"Because the authorization for this office sunsets at the end of this fiscal year, it is important that this Committee move extension of authorization as soon as possible to continue the important work of this office," said Chairman Oxley.

OMHAR was established in 1997 to administer the "mark-to-market" program which was intended to protect affordable housing assistance for low-income renters as well as stave off a funding crisis at HUD and reduce costs to taxpayers.

"Our goal here is to preserve affordable low-income rental housing, and at the same time to reduce the cost to the federal government so that there will not be large claims against the Federal Housing Insurance Fund," said Housing Subcommittee Chair Marge Roukema (NJ).

Through its mark-to-market program, OMHAR restructures low-income housing and rental assistance agreements insured by the Federal Housing Administration (FHA) to reflect fair market rates.

Such contracts, known as section 8 housing assistance, require residents to pay a portion of their income for rent, generally 30 percent. HUD pays the remaining portion. In order to promote the development and production of new affordable assisted housing units, the government in the past supported above-market rates and generous rate increases for participating property owners.

Congress addressed the need to stem the spiraling rates -- which were estimated to consume one-third of HUD's budget by 2007 if left alone -- in the 1997 legislation. That law established OMHAR to implement the program to reduce rent to market levels as well as restructure the mortgage debt to sustainable loan levels. The program maintains incentives for owners to continue participating in section 8 programs, thereby ensuring affordable housing for many low-income families.

A General Accounting Office (GAO) study concluded that the program should be extended beyond its current September 2001 authorization and that OMHAR should continue to administer the program.

According to the GAO report, OMHAR estimates that the federal government will save \$563 million over 20 years from properties so far restructured.

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